



DELAWARE TRANSIT CORPORATION

Financial Statements

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

Board of Directors
Delaware Transportation Authority
Delaware Transit Corporation
Dover, Delaware:

We have audited the accompanying balance sheets of the Delaware Transit Corporation (DTC), a subsidiary of Delaware Transportation Authority, which is a blended component unit of the State of Delaware, as of the years ended June 30, 2007 and 2006, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of DTC management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DTC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Delaware Transit Corporation and do not purport to, and do not, present fairly the financial position of the State of Delaware, as of June 30, 2007 and 2006, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware Transit Corporation as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on DTC's financial statements. The supplemental information included in the Schedule of Revenues and Expenses Compared to Budget and Expenses by Mode on pages 30 through 36 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2007 on our consideration of DTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

October 12, 2007

Delaware Transit Corporation

Management's Discussion and Analysis

This section of the Delaware Transit Corporation's (DTC) annual financial statements presents our discussion and analysis of DTC's financial performance during the fiscal year ended June 30, 2007.

Background

DTC is a division of the Delaware Department of Transportation (DelDOT) and operates DART First State Public Transportation Service. DTC was formed in 1995 to manage the combined operations of the Delaware Administration for Regional Transit, the Delaware Administration for Specialized Transit, the Delaware Railroad Administration, and Commuter Services Administration. DTC operates 216 fixed route and 218 Paratransit vehicles on over 69 routes in Delaware's three counties. DTC contracts with the Southeastern Pennsylvania Transportation Authority (SEPTA) for commuter rail service. DTC also operates and maintains 44 park-and-ride lots and 17 park-and-pool lots with approximately 5,226 parking spaces. DTC maintains 2,500 bus stops throughout the State, with major transit hubs in Wilmington, Christiana Mall, Dover, and Rehoboth Beach. DTC owns or leases four rail stations that are serviced by SEPTA. All services carry over ten million riders per year.

Financial Highlights

- The 2007 operating revenues were approximately \$11.9 million and were 5.3% higher than 2006 operating revenues. Passenger revenues contributed to the increase.
- Total operating expenses before depreciation were approximately \$77.8 million and were 8.4% higher than 2006 operating expenses. The increase in operating expenses before depreciation is largely due to increased costs of wages, benefits, and consumables, specifically diesel fuel.
- A \$10.8 million investment was made in capital assets during the current year (a majority of the funding was federal in the amount of \$8.2 million and state in the amount of \$2.4 million). This is primarily attributable to the purchase of revenue vehicles.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) the notes to the financial statements, and 4) other supplementary information.

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

The financial statements provide both long-term and short-term information about DTC's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

DTC's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and change in net assets. All assets and liabilities associated with the operation of DTC are included in the balance sheets.

Financial Analysis of DTC

Balance Sheets

Total assets increased 0.3% to \$97.2 million. Total liabilities decreased 13.7% to \$12.6 million mostly due to a decrease in accounts payable during the current year. Total net assets at June 30, 2007 were approximately \$84.6 million, a 2.9% increase from June 30, 2006.

Delaware Transit Corporation's Net Assets (in millions of dollars)

	<u>2007</u>	<u>2006</u>	<u>Percentage Change 2007-2006</u>
Current assets	\$26.6	\$26.0	2.3
Capital assets	69.6	70.2	(0.9)
Other noncurrent assets	<u>1.0</u>	<u>0.7</u>	42.9
Total assets	97.2	96.9	0.3
Current liabilities	8.3	9.8	(15.3)
Noncurrent liabilities	<u>4.3</u>	<u>4.8</u>	(10.4)
Total liabilities	12.6	14.6	(13.7)

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

	<u>2007</u>	<u>2006</u>	<u>Percentage Change 2007-2006</u>
Net assets			
Restricted	\$ 1.0	\$ 0.7	42.9
Invested in capital assets - net of related debt	69.6	70.2	(0.9)
Unrestricted	<u>14.0</u>	<u>11.3</u>	23.9
 Total net assets	 <u>\$84.6</u>	 <u>\$82.2</u>	 2.9

There was a slight increase in current assets due primarily to an increase in cash and cash equivalents. The decrease in total liabilities was due to a decrease in accounts payable. The large increase in unrestricted net assets is the result of operating efficiencies and the revaluation of insurance liabilities.

Change in Net Assets

The increase in net assets as of June 30, 2007 was approximately \$2.4 million, which is an increase in net assets of 2.9% over 2006. The increase in DTC's 2007 total operating revenues of \$0.6 million is primarily due to increased passenger revenues. Total operating expenses increased 6.3% to approximately \$89 million.

Change in the Delaware Transit Corporation's Net Assets (in millions of dollars)

	<u>2007</u>	<u>2006</u>	<u>Percentage Change 2007-2006</u>
Operating revenues			
Passenger revenue	\$10.6	\$ 10.0	6.0
Other operating revenue	<u>1.3</u>	<u>1.3</u>	-
Total operating revenues	11.9	11.3	5.3
Operating expenses			
Total operating expenses before depreciation and retirements of property and equipment	77.8	71.8	8.4
Depreciation and net loss on retirements of property and equipment	<u>11.2</u>	<u>11.9</u>	(5.9)
Total operating expenses	<u>89.0</u>	<u>83.7</u>	6.3

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

	<u>2007</u>	<u>2006</u>	Percentage Change <u>2007-2006</u>
Operating loss	\$(77.1)	\$(72.4)	6.5
Nonoperating revenues (expenses), net	2.8	1.0	180.0
Transfers from DelDOT	68.5	64.6	6.0
Transfer to DelDOT	-	(1.2)	-
Special item - loss on disposal	-	(4.5)	-
Capital contributions	<u>8.2</u>	<u>1.3</u>	530.8
Change in net assets	2.4	(11.2)	121.4
Total net assets - beginning of year	<u>82.2</u>	<u>93.4</u>	(12.0)
Total net assets - end of year	<u>\$ 84.6</u>	<u>\$ 82.2</u>	2.9

The increase in operating expenses over 2006 is due to the increased costs relating to purchase of transportation services for rail and Paratransit, cost of diesel fuel, electricity, and salaries and fringe benefits.

The increase in nonoperating revenues (expenses), net, is attributable to increases in investment income and a reduction in pass-through grant expenses.

Capital contributions were up from \$1.3 million in 2006 to \$8.2 million in 2007 due to DTC's vehicle replacement and expansion schedule.

Capital Assets

As of June 30, 2007, DTC had approximately \$138.5 million invested in capital assets, which includes land, buildings, vehicles, communication and support equipment, and furniture and fixtures. Net of accumulated depreciation, DTC's capital assets at June 30, 2007 totaled approximately \$69.6 million.

Net capital assets decreased \$0.6 million. The small decrease is attributed to the increase in capital assets with the purchase of 20 expansion revenue vehicles and 60 replacement revenue vehicles amounting to \$10.8 million, offset by depreciation expense of \$11.2 million.

Assets disposed of during 2007 totaled \$3.7 million. Disposals related primarily to the replacement of revenue vehicles.

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budget

DTC submits their operating and capital budgets as part of DelDOT's submission to the General Assembly. DTC's fiscal year 2008 operating and capital budgets have been authorized by the General Assembly to meet the demand for core transit services in the State. The fiscal year 2008 total operating budget is \$84.4 million, which is 5.9% higher than fiscal year 2007. The capital budget is \$62.1 million, which authorizes funding for the purchase of replacement and expansion transit vehicles and rail projects.

Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is effective for the year ending June 30, 2008. DTC provides postretirement healthcare benefits to all employees who retire from DTC after meeting eligibility requirements. The pay-as-you-go cash basis costs associated with these benefits were \$612,415 and \$669,405 at June 30, 2007 and 2006, respectively. GASB 45 requires calculation of the unfunded actuarial accrued liability and annual required contribution related to these postretirement benefits. DTC has not yet evaluated the potential impact of GASB 45 on its 2008 financial statements.

Contacting DTC's Financial Management

This financial report is designed to provide interested parties with a general overview of DTC's finances and to demonstrate DTC's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Delaware Transit Corporation, 900 Public Safety Boulevard, Dover, DE 19901.

Delaware Transit Corporation
Balance Sheets
June 30, 2007 and 2006
See Independent Auditors' Report

Assets

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 21,650,906	\$ 20,745,170
Receivables		
Trade	621,364	473,335
State	36,015	193,524
Federal	161,004	166,125
Inventories of supplies and fuel	2,512,564	2,215,341
Escrow insurance deposits	1,283,817	1,933,042
Prepaid expenses	<u>356,841</u>	<u>239,370</u>
Total current assets	26,622,511	25,965,907
NONCURRENT ASSETS		
Capital assets	138,519,439	131,348,709
Less: accumulated depreciation	<u>68,867,458</u>	<u>61,141,068</u>
	69,651,981	70,207,641
Prepaid pension	<u>976,275</u>	<u>688,884</u>
Total noncurrent assets	<u>70,628,256</u>	<u>70,896,525</u>
 TOTAL ASSETS	 <u><u>\$ 97,250,767</u></u>	 <u><u>\$ 96,862,432</u></u>

See notes to financial statements.

Delaware Transit Corporation

Balance Sheets

June 30, 2007 and 2006
See Independent Auditors' Report

Liabilities and Net Assets

	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Accounts payable	\$ 2,699,723	\$ 4,474,775
Accrued payroll and related expenses	2,276,794	2,109,309
Compensated absences	780,906	702,471
Other accrued expenses	99,505	132,989
Insurance loss reserve	<u>2,457,537</u>	<u>2,355,513</u>
Total current liabilities	8,314,465	9,775,057
NONCURRENT LIABILITIES		
Compensated absences - net of current portion	1,931,509	1,736,148
Insurance loss reserve - net of current portion	<u>2,377,463</u>	<u>3,103,507</u>
	<u>4,308,972</u>	<u>4,839,655</u>
Total liabilities	12,623,437	14,614,712
NET ASSETS		
Restricted - pension obligations	976,275	688,884
Invested in capital assets	69,651,981	70,207,641
Unrestricted	<u>13,999,074</u>	<u>11,351,195</u>
Total net assets	<u>84,627,330</u>	<u>82,247,720</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 97,250,767</u></u>	<u><u>\$ 96,862,432</u></u>

Delaware Transit Corporation

**Statements of Revenues, Expenses, and
Change in Net Assets**

**For the Years Ended June 30, 2007 and 2006
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Passenger fares	\$ 10,617,443	\$ 9,991,912
Advertising	418,219	345,334
Miscellaneous	309,836	321,939
Auxiliary transportation	<u>573,051</u>	<u>595,601</u>
Total operating revenues	11,918,549	11,254,786
OPERATING EXPENSES		
Vehicle operations	46,374,530	43,218,716
Maintenance		
Vehicle	8,955,716	7,962,313
Nonvehicle	3,644,574	2,945,981
General administration	<u>18,818,234</u>	<u>17,604,976</u>
Total operating expenses before depreciation	77,793,054	71,731,986
Depreciation and net gain on retirements of property and equipment	<u>11,229,950</u>	<u>11,943,545</u>
Total operating expenses	<u>89,023,004</u>	<u>83,675,531</u>
OPERATING LOSS	(77,104,455)	(72,420,745)
NONOPERATING REVENUES (EXPENSES)		
Operating assistance		
Federal operating assistance	3,098,065	3,796,046
Pass-through grant revenue	687,038	942,674
Pass-through grant expense	(2,064,536)	(4,360,568)
Investment income	<u>1,098,703</u>	<u>661,157</u>
Excess of nonoperating revenues over expenses	<u>2,819,270</u>	<u>1,039,309</u>

Continued...

Delaware Transit Corporation

**Statements of Revenues, Expenses, and
Change in Net Assets (Continued)**

**For the Years Ended June 30, 2007 and 2006
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
LOSS BEFORE CONTRIBUTIONS, TRANSFERS, AND SPECIAL ITEMS	\$ (74,285,185)	\$ (71,381,436)
CAPITAL CONTRIBUTIONS	8,232,278	1,311,946
TRANSFERS FROM DELDOT	68,432,517	64,640,958
TRANSFERS TO DELDOT	-	(1,249,543)
SPECIAL ITEM - LOSS ON DISPOSAL OF FACILITY	<u>-</u>	<u>(4,517,635)</u>
CHANGE IN NET ASSETS	2,379,610	(11,195,710)
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>82,247,720</u>	<u>93,443,430</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 84,627,330</u></u>	<u><u>\$ 82,247,720</u></u>

See notes to financial statements.

Delaware Transit Corporation

Statements of Cash Flows

For the Years Ended June 30, 2007 and 2006

See Independent Auditors' Report

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from passengers	\$ 10,469,414	\$ 9,860,586
Payments to suppliers	(34,558,539)	(28,208,051)
Payments to employees	(43,099,056)	(40,168,101)
Insurance claims paid	(2,828,819)	(2,355,513)
Other receipts	<u>1,301,106</u>	<u>2,117,428</u>
Net cash used in operating activities	(68,715,894)	(58,753,651)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal operating subsidies	2,940,310	3,796,046
Pass-through grant revenue receipts	687,038	942,674
Pass-through grant revenue payments	(2,064,536)	(4,363,568)
Transfers from DelDOT	66,003,095	63,520,895
Transfers to DelDOT	<u>-</u>	<u>(1,249,543)</u>
Net cash provided by noncapital financing activities	67,565,907	62,646,504
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital contributions	8,395,154	1,425,349
Transfers from DelDOT - capital	2,586,931	1,652,027
Acquisition of capital assets	(10,840,184)	(2,579,195)
Proceeds from sale of equipment	<u>165,894</u>	<u>89,750</u>
Net cash provided by capital and related financing activities	307,795	587,931
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in escrow insurance deposits	649,225	(776,582)
Interest income received	<u>1,098,703</u>	<u>661,157</u>
Net cash provided by (used in) investing activities	<u>1,747,928</u>	<u>(115,425)</u>

Continued...

Delaware Transit Corporation

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2007 and 2006

See Independent Auditors' Report

	<u>2007</u>	<u>2006</u>
Net increase in cash and cash equivalents	\$ 905,736	\$ 4,365,359
CASH AND CASH EQUIVALENTS - BEGINNING	<u>20,745,170</u>	<u>16,379,811</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 21,650,906</u>	<u>\$ 20,745,170</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (77,104,455)	\$ (72,420,745)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and net gain on retirements of property and equipment	11,229,950	11,943,545
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(148,029)	98,454
Increase in inventories	(297,223)	(276,410)
Increase in prepaid expenses	(117,471)	(162,319)
Increase in prepaid pension	(287,391)	(206,528)
Increase (decrease) in accounts payable	(1,775,052)	857,355
Increase (decrease) in insurance loss reserve	(624,020)	800,586
Increase in compensated absences	273,792	207,024
Increase (decrease) in other accrued expenses	(33,484)	132,989
Increase in accrued payroll and related expenses	<u>167,489</u>	<u>272,398</u>
Net cash used in operating activities	<u>\$ (68,715,894)</u>	<u>\$ (58,753,651)</u>

See notes to financial statements.

Delaware Transit Corporation

Notes to Financial Statements

See Independent Auditors' Report

Note A - Authorizing Legislation

Pursuant to Title 2 of the Delaware Code, Sections 1304(a) and 1307(a) as enacted by 69 Delaware Law Chapter 435, Delaware Transit Corporation (DTC) was created in fiscal year 1995 as a subsidiary public corporation of the Delaware Transportation Authority (the Authority). DTC is authorized to operate the public transportation system within the State of Delaware (the State).

The Authority is an independent operating arm of the Delaware Department of Transportation (DelDOT) and a body corporate and politic, constituting a public instrumentality of the State. The Authority was created in 1976 and later reorganized in 1979 by the Enabling Act. The Authority was created to foster the planning and financing of an economical, comprehensive, and integrated system of air, water, vehicular, public, and specialized transportation for the benefit of all people of the State.

Note B - Significant Accounting Policies

1. Reporting Entity

DTC is a subsidiary public corporation of the Authority. As a result of the Authority's relationship with the State, DTC's financial statements are included in the comprehensive annual financial report of the State in accordance with accounting principles generally accepted in the United States of America.

2. Basis of Accounting

DTC operates as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note B - Significant Accounting Policies (Continued)

3. Cash and Cash Equivalents

Cash and cash equivalents consist of demand and time deposits and securities with an original maturity of three months or less when purchased.

Included in cash at June 30, 2007 and 2006 was \$3,551,183 and \$3,525,978, respectively, which will be utilized to fund the remaining unpaid loss insurance liability (see Note L).

4. Inventories

Inventories are accounted for at the lower of cost or market. Cost is determined using the average cost method.

5. Capital Assets

Capital assets, which include land, buildings, vehicles, equipment, furniture and fixtures, and bus signs and shelters are defined by DTC as all assets purchased with State and federal grant money as well as any asset with a cost greater than \$5,000 purchased with operating money. Capital assets are recorded at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings, vehicles, equipment, furniture and fixtures, and bus signs and shelters are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10 - 40 years
Revenue vehicles	4 - 12 years
Service vehicles and equipment	3 - 4 years
Communication equipment	5 - 12 years
Furniture and fixtures	3 - 10 years
Bus signs and shelters	10 years

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note B - Significant Accounting Policies (Continued)

6. Compensated Absences

Substantially all employees receive compensation for vacations, illness, and certain other qualifying absences. The number of days compensated in the various categories of absence is based generally on length of service. Compensated absences that have been earned but not paid have been recorded in the accompanying financial statements.

7. Customer Fares

Customer fares are recorded as revenue at the time services are provided to passengers.

8. Allowance for Uncollectible Accounts

Management charges income with doubtful accounts when they are considered uncollectible. At June 30, 2007 and 2006, there was no allowance for doubtful accounts.

9. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Revenues and Expenses

DTC defines nonoperating revenues as federal and State operating subsidies, pass-through grant revenue, and investment income. All other revenues are derived from the normal operations of DTC. Nonoperating expenses are defined as pass-through grant expense. All other expenses are a result of normal operations.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note B - Significant Accounting Policies (Continued)

11. Pass-Through Revenues and Expenses

Pass-through revenues and expenses relate to federal, State, and other agency funding received by DTC that is subsequently distributed to local nonprofit subrecipient organizations and other agencies to fund transportation-related operations and capital improvement programs.

12. Financial Accounting Standards Board (FASB) Pronouncements

DTC has elected not to apply FASB pronouncements issued after November 30, 1989.

Note C - Cash and Investments

Cash Management Policy

DTC follows the guidelines and requirements issued and adopted by the Cash Management Policy Board of the State. The Policy is available on the Internet at www.state.de.us/treasure.

Custodial Credit Risk

Deposits - All deposits are held by one financial institution and are carried at cost, which approximates market value. The carrying amounts of DTC's deposits at June 30, 2007 and 2006 were \$21,650,906 and \$20,745,170, respectively, and the bank balances were \$23,362,317 and \$21,581,077, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2007 and 2006 of \$23,362,317 and \$21,581,077, respectively, were covered by federal depository insurance for \$100,000, and by collateral held by DTC's Trustee, in DTC's name, for the remainder.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note D - Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 1,872,536	\$ -	\$ -	\$ 1,872,536
Construction in progress	<u>392,389</u>	<u>-</u>	<u>-</u>	<u>392,389</u>
Total capital assets not being depreciated	2,264,925	-	-	2,264,925
Capital assets being depreciated				
Buildings	37,304,712	192,828	-	37,497,540
Revenue vehicles	67,991,464	10,366,509	(3,589,766)	74,768,207
Service vehicles and equipment	4,826,635	195,069	(2,018)	5,019,686
Communication equipment	15,582,134	27,471	-	15,609,605
Furniture and fixtures	399,816	6,220	(57,165)	348,871
Bus signs and shelters	<u>2,979,023</u>	<u>52,087</u>	<u>(20,505)</u>	<u>3,010,605</u>
	129,083,784	10,840,184	(3,669,454)	136,254,514
Less: accumulated depreciation				
Buildings	8,409,192	1,282,890	-	9,692,082
Revenue vehicles	38,946,579	7,811,870	(3,484,551)	43,273,898
Service vehicles and equipment	2,910,304	431,163	(544)	3,340,923
Communication equipment	8,715,805	1,517,944	-	10,233,749
Furniture and fixtures	228,378	25,340	(51,125)	202,593
Bus signs and shelters	<u>1,930,810</u>	<u>203,153</u>	<u>(9,750)</u>	<u>2,124,213</u>
	<u>61,141,068</u>	<u>11,272,360</u>	<u>(3,545,970)</u>	<u>68,867,458</u>
Total capital assets being depreciated, net	<u>67,942,716</u>	<u>(432,176)</u>	<u>(123,484)</u>	<u>67,387,056</u>
Total capital assets, net	<u>\$ 70,207,641</u>	<u>\$ (432,176)</u>	<u>\$ (123,484)</u>	<u>\$ 69,651,981</u>

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note D - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 1,872,536	\$ -	\$ -	\$ 1,872,536
Construction in progress	<u>392,389</u>	<u>-</u>	<u>-</u>	<u>392,389</u>
Total capital assets not being depreciated	2,264,925	-	-	2,264,925
Capital assets being depreciated				
Buildings	43,267,482	466,870	(6,429,640)	37,304,712
Revenue vehicles	68,027,454	1,668,362	(1,704,352)	67,991,464
Service vehicles and equipment	4,571,202	267,923	(12,490)	4,826,635
Communication equipment	15,516,445	81,382	(15,693)	15,582,134
Furniture and fixtures	538,636	53,913	(192,733)	399,816
Bus signs and shelters	<u>2,934,269</u>	<u>49,154</u>	<u>(4,400)</u>	<u>2,979,023</u>
	134,855,488	2,587,604	(8,359,308)	129,083,784
Less: accumulated depreciation				
Buildings	8,849,573	1,447,009	(1,887,390)	8,409,192
Revenue vehicles	32,363,423	8,260,869	(1,677,713)	38,946,579
Service vehicles and equipment	2,491,578	424,931	(6,205)	2,910,304
Communication equipment	7,169,604	1,555,393	(9,192)	8,715,805
Furniture and fixtures	367,907	36,046	(175,575)	228,378
Bus signs and shelters	<u>1,698,952</u>	<u>234,168</u>	<u>(2,310)</u>	<u>1,930,810</u>
	<u>52,941,037</u>	<u>11,958,416</u>	<u>(3,758,385)</u>	<u>61,141,068</u>
Total capital assets being depreciated, net	<u>81,914,451</u>	<u>(9,370,812)</u>	<u>(4,600,923)</u>	<u>67,942,716</u>
Total capital assets, net	<u>\$ 84,179,376</u>	<u>\$ (9,370,812)</u>	<u>\$ (4,600,923)</u>	<u>\$ 70,207,641</u>

Depreciation expense for fiscal years 2007 and 2006 was \$11,272,360 and \$11,958,416, respectively.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note E - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$2,438,619	\$ 273,796	\$ -	\$2,712,415	\$ 780,906
Loss reserve - insurance	<u>5,459,020</u>	<u>2,727,921</u>	<u>(3,351,941)</u>	<u>4,835,000</u>	<u>2,457,537</u>
Long-term liabilities	<u>\$7,897,639</u>	<u>\$3,001,717</u>	<u>\$(3,351,941)</u>	<u>\$7,547,415</u>	<u>\$3,238,443</u>

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$2,231,595	\$ 207,024	\$ -	\$2,438,619	\$ 702,471
Loss reserve - insurance	<u>4,658,434</u>	<u>2,967,973</u>	<u>(2,167,387)</u>	<u>5,459,020</u>	<u>2,355,513</u>
Long-term liabilities	<u>\$6,890,029</u>	<u>\$3,174,997</u>	<u>\$(2,167,387)</u>	<u>\$7,897,639</u>	<u>\$3,057,984</u>

Note F - Union Contracts

Operators and maintenance personnel of the North District Fixed Route system are represented by the Amalgamated Transit Union AFL-CIO, Local 842. The term of the current Collective Bargaining Agreement covers the period starting March 1, 2002 through November 30, 2007. As of June 30, 2007, negotiations for a new contract have not begun.

Paratransit operators statewide and South District Fixed Route operators are also represented by the Amalgamated Transit Union AFL-CIO, Local 842, under a separate Collective Bargaining Agreement. The term of the current Collective Bargaining Agreement covers the period July 1, 2003 through June 30, 2008.

Certain administrative, operations, and maintenance personnel are represented by the Office and Professional Employee International Union, Local 32, AFL-CIO. The term of the Collective Bargaining Agreement is from January 1, 2002 through December 31, 2006. As of June 30, 2007, DTC is still negotiating terms for a new contract with the Office and Professional Employee International Union, Local 32, AFL-CIO.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note G - Defined Benefit Pension Plans

Plan Descriptions

DTC contributes to two single-employer defined benefit pension plans: the Delaware Transit Corporation Pension Plan, with participation limited to full-time, nonunion salaried employees; and the Contributory Pension Plan, for all full-time members of Local #842 Amalgamated Transit Union and Local #32, Office and Professional Employee International Union. Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. Each plan issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing or calling DTC at its Dover offices.

Funding Policy and Annual Pension Cost

The trustees of each plan establish and may amend the contribution requirements of plan members and DTC. The most recent information available for DTC's annual pension cost and related information for each plan is as follows:

	<u>DTC Pension Plan</u>	<u>Contributory Pension Plan</u>
Contribution rates:		
Employer	*	5.00%
Participants	N/A	5.00%
Annual pension cost	\$707,897	\$547,889
Contributions made	\$707,897	\$835,280
Actuarial valuation date	7/01/06	1/01/07
Actuarial cost method	Frozen Initial Liability	Aggregate **
Remaining amortization period	19	16
Asset valuation method	Market	***
Actuarial assumptions:		
Investment rate of return	7.50%	7.00%
Projected salary increases	4.50%	4.00%

Note: * = Actuarially Determined and N/A = Not Applicable

** = This method does not identify and separately amortize unfunded actuarial liabilities.

*** = Book value plus 20% of the difference between book and market value, but not less than 80% or greater than 90% of market value.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note G - Defined Benefit Pension Plans (Continued)

Three-Year Trend Information

	Plan Year <u>Ended</u>	Contribution <u>Made</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Asset</u>
DTC Pension Plan	06/30/2005	\$610,666	\$610,666	100.00%	\$ -
	06/30/2006	626,894	626,894	100.00%	-
	06/30/2007	707,897	707,897	100.00%	-
Contributory Plan	12/31/2004	916,604	601,299	152.44%	482,356
	12/31/2005	748,661	542,133	138.10%	688,884
	12/31/2006	835,280	547,899	152.45%	976,275

Schedules of Funding Progress

DTC Pension Plan

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Excess (Deficit) of Assets Over AAL <u>(a - b)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	Excess (Deficit) as a Percentage of Covered Payroll <u>((a - b)/c)</u>
07/01/2004	\$6,450,349	\$6,874,823	\$(424,474)	93.83%	\$7,350,742	(5.77)%
07/01/2005	7,539,479	7,932,143	(392,664)	95.05%	8,019,950	(4.89)%
07/01/2006	8,709,127	9,076,068	(366,941)	95.96%	8,897,785	(4.12)%

Note H - Post-Retirement Health Care Benefits

DTC provides post-retirement health care benefits, in accordance with State statutes, to all employees who retire from DTC after meeting the eligibility requirements. There were 139 and 148 DTC retirees at June 30, 2007 and 2006, respectively. The cash basis costs associated with these benefits were \$612,415 and \$669,405 at June 30, 2007 and 2006, respectively.

Note I - Operating Leases

DTC has several noncancellable operating leases, primarily for operation and maintenance facilities, which expire at various times through June 29, 2020. Those leases require DTC to pay for maintenance and liability insurance costs. Rental expenses were \$23,213 and \$33,098 for the years ended June 30, 2007 and 2006, respectively.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note I - Operating Leases (Continued)

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2007 are as follows:

2008	\$ 5,000
2009	1,800
2010	1,800
2011	1,800
2012	1,800
2013 - 2017	9,000
2018 - 2021	<u>5,400</u>
	<u>\$26,600</u>

DTC has an operating lease agreement for transit vehicle tires, which will expire on May 19, 2009. The lease agreement requires DTC to make monthly payments based on miles driven multiplied by a mileage rate as set forth in the agreement. The mileage rate is based on contract year and estimated annual vehicle miles. For the years ended June 30, 2007 and 2006, DTC incurred expenses related to this lease of \$128,118 and \$132,200, respectively.

During 2006, DTC leased office space for the period January 12, 2006 through June 15, 2006. Rental expense for that period was \$315,974.

Note J - Economic Dependency

DTC's revenue from operating subsidies from the State was approximately 78% and 74% of total revenue for the years ended June 30, 2007 and 2006, respectively.

Note K - Commitments and Contingencies

Litigation

DTC is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of DTC.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note L - Risk Management

Workers' Compensation Insurance

DTC maintains coverage for workers' compensation benefits. DTC manages the coverage through both the retention of risk and the purchase of commercial insurance. The payment of workers' compensation claims is processed through a third-party administrator.

For years prior to 2003, DTC would establish a workers' compensation loss reserve based upon the insurance carriers' actuarial reviews. Benefit claims in an amount of \$100,000 or less per person, per coverage year are paid by DTC from the workers' compensation loss reserve. Once any claim exceeds \$100,000 or total claims for a given policy period exceed the maximum loss amount, the insurance policy covers the excess.

For fiscal year 2003, DTC changed its coverage to a first dollar program. Also, all claims were subject to a \$5,000 deductible for the medical portion of a claim. All other expenses related to a claim were covered by the insurance carrier.

Subsequent to fiscal year 2003, DTC changed its coverage and was insured through the State of Delaware. Under the State program, DTC paid a premium calculated as \$1.60 per \$100 of payroll for the years ended June 30, 2007 and 2006. DTC is not responsible for any costs other than the premium paid, thus no loss contingency reserves were established.

Auto Insurance

DTC maintains auto insurance coverage through both the retention of risk and the purchase of commercial insurance. Auto loss reserves that are based upon actuarial reviews were established by DTC.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note L - Risk Management (Continued)

Auto Insurance (Continued)

For years prior to 2003, DTC would establish auto loss reserves based upon insurance carriers' actuarial reviews. Individual claims in an amount of \$100,000 or less per incident, per coverage year were paid from the auto loss reserve funds. Once a specific claim exceeds \$100,000 or total claims for a given policy period exceed the maximum loss amount established by the insurance carrier, the insurance policy covers the excess.

For 2003 and subsequent years, DTC changed its auto insurance coverage whereby they established self-insured retention thresholds up to certain dollar amounts and purchased commercial insurance (wrap-around) policies for amount coverage in excess of the self-insured retention thresholds. DTC established initial loss reserve insurance liabilities for each of the years based upon actuarially determined valuations assuming DTC's maximum liability exposure to be \$300,000 per occurrence (this reflects the sovereign immunity cap pursuant to Title 2 of the Delaware Code, Subsection 1329).

For individual claims in excess of the sovereign immunity cap, DTC retained a maximum amount of loss based upon their self-insured retention program and the balance would be covered by commercial insurance.

	Initial Loss Reserve Insurance Liability <u>Established</u>	Maximum Amount of Loss Under Self-Insured Retention Program <u>(Per Occurrence)</u>	Excess Commercial Coverage <u>(Aggregate)</u>
2003	\$2,561,000	\$1,300,000	\$10,000,000
2004	2,666,763	1,300,000	6,000,000
2005	2,763,367	2,300,000	5,000,000
2006	2,858,258	2,300,000	5,000,000
2007 (7/1/06 - 1/14/07)	2,607,350	2,300,000	5,000,000
2007 (1/15 - 6/30/07)	*	900,000	100,000

*Initial loss reserve established July 1, 2006 in the amount of \$2,607,350 for the entire fiscal year.

Delaware Transit Corporation
Notes to Financial Statements (Continued)
See Independent Auditors' Report

Note L - Risk Management (Continued)

Auto Insurance (Continued)

The components of the remaining insurance loss reserve on DTC's balance sheets were as follows at June 30:

	<u>2007</u>	<u>2006</u>
Workers' compensation loss reserve remaining for fiscal year 2003	\$ -	\$ 87,885
Workers' compensation loss reserve remaining for fiscal year 2002	-	103,509
Workers' compensation loss reserve remaining for fiscal year 2001	-	11,216
Workers' compensation loss reserve remaining for fiscal year 2000	-	23,400
Auto loss reserve remaining for fiscal year 2007	2,304,000	-
Auto loss reserve remaining for fiscal year 2006	1,381,000	2,255,303
Auto loss reserve remaining for fiscal year 2005	535,000	1,327,301
Auto loss reserve remaining for fiscal year 2004	475,000	933,668
Auto loss reserve remaining for fiscal year 2003	80,000	598,300
Auto loss reserve remaining for fiscal year 2002	20,000	98,438
Auto loss reserve remaining for fiscal year 2000	32,000	20,000
Auto loss reserve remaining for fiscal year 1999	<u>8,000</u>	<u>-</u>
	<u>\$4,835,000</u>	<u>\$5,459,020</u>

Changes in the balances of total claim liabilities during fiscal years 2007 and 2006 were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance July 1</u>	<u>Current Year Estimated Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Ending Balance June 30</u>
2006	\$4,658,434	\$3,156,099	\$(2,355,513)	\$5,459,020
2007	\$5,459,020	\$2,204,799	\$(2,828,819)	\$4,835,000

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note M - Designated Net Assets

Unrestricted net assets designated by management are as follows for the fiscal years ended June 30:

	<u>2007</u>	<u>2006</u>
Designated as working capital reserve for operations	\$ 9,656,166	\$ 7,407,918
Designated as reserve for self insurance	<u>4,342,908</u>	<u>3,943,277</u>
Total unrestricted net assets designated by management	<u>\$13,999,074</u>	<u>\$11,351,195</u>

Management has determined that DTC needs an appropriate working capital reserve of approximately 1½ months of operating expenses before depreciation in order to ensure that DTC's financial obligations can be met timely without disruption. This is based on the fact that DTC does not have external bank credit facilities that it can rely on and timing issues that may arise with the receipt of State operating subsidy revenues.

In addition, management has designated a portion of unrestricted net assets to facilitate future enhancements to DTC's Self-Insured Retention program.

Note N - Transfers

The following amounts were transferred from DelDOT to DTC for the fiscal years ended June 30:

	<u>2007</u>	<u>2006</u>
Amounts transferred as operating assistance	\$64,949,492	\$60,080,200
Amounts transferred as pass-through grant revenues	1,052,634	3,347,423
Amounts transferred as capital funding for purchase of capital assets	<u>2,430,391</u>	<u>1,213,335</u>
Total transfers from DelDOT	<u>\$68,432,517</u>	<u>\$64,640,958</u>

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note N - Transfers (Continued)

During 2006, DTC transferred funds in the amount of \$1,249,543 to DelDOT. There were no transfers to DelDOT in 2007.

Note O - Advertising

Advertising costs are charged to operations when incurred. Total advertising costs of \$779,608 and \$744,496 were incurred for the years ended June 30, 2007 and 2006, respectively.

Note P - Loss on Disposal of Facility

During fiscal year 2006, DTC relocated one of its facilities. The relocation resulted in a loss on disposal in the amount of \$4,517,635 and is included as a special item in the statements of revenues, expenses, and change in net assets.

Note Q - Reclassifications

Certain reclassifications have been made to the prior year's financial statements in order to conform to the current year presentation. The reclassifications had no effect on previously reported results of operations or retained earnings.

Note R - Subsequent Events

Subsequent to June 30, 2007, a tentative contract agreement has been reached between the Office and Professional Employee International Union, Local 32, AFL-CIO and DTC. This contract agreement has yet to be voted on and accepted by the membership.

Additional Information

Delaware Transit Corporation
Schedule of Revenues and Expenses
Compared to Budget

For the Year Ended June 30, 2007
See Independent Auditors' Report

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
OPERATING REVENUES			
Passenger fares	\$ 9,929,600	\$ 10,617,443	\$ 687,843
Advertising	300,000	418,219	118,219
Miscellaneous	100,000	309,836	209,836
Auxiliary transportation	<u>450,000</u>	<u>573,051</u>	<u>123,051</u>
Total operating revenues	10,779,600	11,918,549	1,138,949
OPERATING EXPENSES	<u>79,551,700</u>	<u>77,793,054</u>	<u>(1,758,646)</u>
OPERATING EXPENSES IN EXCESS OF OPERATING REVENUES	(68,772,100)	(65,874,505)	2,897,595
NONOPERATING REVENUES (EXPENSES)			
Federal operating assistance	3,567,000	3,098,065	(468,935)
Pass-through grant revenue	-	687,038	687,038
Pass-through grant expense	(77,400)	(2,064,536)	(1,987,136)
Investment income	<u>330,000</u>	<u>1,098,703</u>	<u>768,703</u>
Excess of nonoperating revenues over expenses	<u>3,819,600</u>	<u>2,819,270</u>	<u>(1,000,330)</u>
TRANSFERS FROM DELDOT FOR OPERATING PURPOSES			
State operating assistance	64,952,500	64,949,492	(3,008)
State pass-through grant revenue	<u>-</u>	<u>1,052,634</u>	<u>1,052,634</u>
Total transfers for operating purposes	<u>64,952,500</u>	<u>66,002,126</u>	<u>1,049,626</u>
INCOME BEFORE CONTRIBUTIONS AND DEPRECIATION AND RETIREMENTS ON PROPERTY AND EQUIPMENT	<u><u>\$ -</u></u>	<u><u>\$ 2,946,891</u></u>	<u><u>\$ 2,946,891</u></u>

Delaware Transit Corporation
Schedule of Expenses by Mode - All Modes
For the Year Ended June 30, 2007

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ 17,537,004	\$ -	\$ -	\$ -	\$ 17,537,004
Other salaries	2,276,424	3,719,319	402,386	6,229,934	12,628,063
	<u>19,813,428</u>	<u>3,719,319</u>	<u>402,386</u>	<u>6,229,934</u>	<u>30,165,067</u>
FRINGE BENEFITS	10,192,853	1,990,663	276,012	4,204,115	16,663,643
SERVICES					
Professional and technical	18,273	-	26,380	2,424,142	2,468,795
Contract and maintenance	-	896,888	1,419,265	76,191	2,392,344
Security	-	-	6,079	355,068	361,147
Other	62,712	7,624	63,176	149,000	282,512
	<u>80,985</u>	<u>904,512</u>	<u>1,514,900</u>	<u>3,004,401</u>	<u>5,504,798</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	5,452,970	91,094	-	-	5,544,064
Tires and tubes	332,807	9,214	-	-	342,021
Other materials	78,726	2,240,477	214,169	350,377	2,883,749
	<u>5,864,503</u>	<u>2,340,785</u>	<u>214,169</u>	<u>350,377</u>	<u>8,769,834</u>
UTILITIES	-	-	1,156,849	-	1,156,849
INSURANCE	-	-	-	3,143,372	3,143,372
PURCHASED TRANSPORTATION	10,422,761	-	-	-	10,422,761
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	75	-	98,058	98,133
Travel and meetings	-	362	-	874,991	875,353
Advertising	-	-	-	779,607	779,607
Facilities	-	-	80,258	-	80,258
Other	-	-	-	133,379	133,379
	<u>-</u>	<u>437</u>	<u>80,258</u>	<u>1,886,035</u>	<u>1,966,730</u>
TOTAL EXPENSES	<u>\$ 46,374,530</u>	<u>\$ 8,955,716</u>	<u>\$ 3,644,574</u>	<u>\$ 18,818,234</u>	<u>\$ 77,793,054</u>

Delaware Transit Corporation

Schedule of Expenses by Mode - Fixed Route Directly Operated

For the Year Ended June 30, 2007

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ 9,430,501	\$ -	\$ -	\$ -	\$ 9,430,501
Other salaries	911,361	2,690,262	131,780	2,383,908	6,117,311
	<u>10,341,862</u>	<u>2,690,262</u>	<u>131,780</u>	<u>2,383,908</u>	<u>15,547,812</u>
FRINGE BENEFITS	4,790,286	1,351,843	71,827	1,433,603	7,647,559
SERVICES					
Professional and technical	5,921	-	10,905	995,003	1,011,829
Contract and maintenance	-	433,615	527,178	69,661	1,030,454
Security	-	-	2,513	146,785	149,298
Other	28,026	5,389	26,117	66,493	126,025
	<u>33,947</u>	<u>439,004</u>	<u>566,713</u>	<u>1,277,942</u>	<u>2,317,606</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	3,580,379	35,002	-	-	3,615,381
Tires and tubes	199,325	3,486	-	-	202,811
Other materials	34,152	1,731,683	88,537	183,708	2,038,080
	<u>3,813,856</u>	<u>1,770,171</u>	<u>88,537</u>	<u>183,708</u>	<u>5,856,272</u>
UTILITIES	-	-	478,241	-	478,241
INSURANCE	-	-	-	1,169,649	1,169,649
PURCHASED TRANSPORTATION	-	-	-	-	-
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	28	-	40,537	40,565
Travel and meetings	-	150	-	361,721	361,871
Advertising	-	-	-	704,710	704,710
Facilities	-	-	33,179	-	33,179
Other	-	-	-	55,139	55,139
	<u>-</u>	<u>178</u>	<u>33,179</u>	<u>1,162,107</u>	<u>1,195,464</u>
TOTAL EXPENSES	<u><u>\$ 18,979,951</u></u>	<u><u>\$ 6,251,458</u></u>	<u><u>\$ 1,370,277</u></u>	<u><u>\$ 7,610,917</u></u>	<u><u>\$ 34,212,603</u></u>

Delaware Transit Corporation

Schedule of Expenses by Mode - Paratransit Directly Operated

For the Year Ended June 30, 2007

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ 8,106,503	\$ -	\$ -	\$ -	\$ 8,106,503
Other salaries	1,197,507	934,941	186,497	3,262,616	5,581,561
	<u>9,304,010</u>	<u>934,941</u>	<u>186,497</u>	<u>3,262,616</u>	<u>13,688,064</u>
FRINGE BENEFITS	5,236,819	543,956	120,121	2,170,344	8,071,240
SERVICES					
Professional and technical	7,329	-	13,496	1,189,792	1,210,617
Contract and maintenance	-	298,268	746,069	-	1,044,337
Security	-	-	3,110	181,653	184,763
Other	34,686	2,235	32,321	71,227	140,469
	<u>42,015</u>	<u>300,503</u>	<u>794,996</u>	<u>1,442,672</u>	<u>2,580,186</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	1,866,548	49,537	-	-	1,916,085
Tires and tubes	117,840	4,933	-	-	122,773
Other materials	38,188	422,630	109,569	139,561	709,948
	<u>2,022,576</u>	<u>477,100</u>	<u>109,569</u>	<u>139,561</u>	<u>2,748,806</u>
UTILITIES	-	-	591,844	-	591,844
INSURANCE	-	-	-	1,655,300	1,655,300
PURCHASED TRANSPORTATION	-	-	-	-	-
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	39	-	50,166	50,205
Travel and meetings	-	185	-	447,645	447,830
Advertising	-	-	-	8,258	8,258
Facilities	-	-	41,060	-	41,060
Other	-	-	-	68,237	68,237
	<u>-</u>	<u>224</u>	<u>41,060</u>	<u>574,306</u>	<u>615,590</u>
TOTAL EXPENSES	<u>\$ 16,605,420</u>	<u>\$ 2,256,724</u>	<u>\$ 1,844,087</u>	<u>\$ 9,244,799</u>	<u>\$ 29,951,030</u>

Delaware Transit Corporation

Schedule of Expenses by Mode - Fixed Route Purchased Transportation

For the Year Ended June 30, 2007

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	84,026	50,542	38,308	280,699	453,575
	<u>84,026</u>	<u>50,542</u>	<u>38,308</u>	<u>280,699</u>	<u>453,575</u>
FRINGE BENEFITS	84,248	50,952	41,754	304,098	481,052
SERVICES					
Professional and technical	5,023	-	1,024	100,428	106,475
Contract and maintenance	-	146,901	77,072	6,530	230,503
Security	-	-	236	13,777	14,013
Other	-	-	2,451	6,240	8,691
	<u>5,023</u>	<u>146,901</u>	<u>80,783</u>	<u>126,975</u>	<u>359,682</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	3,817	3,520	-	-	7,337
Tires and tubes	8,652	427	-	-	9,079
Other materials	3,223	67,947	8,310	17,233	96,713
	<u>15,692</u>	<u>71,894</u>	<u>8,310</u>	<u>17,233</u>	<u>113,129</u>
UTILITIES	-	-	44,886	-	44,886
INSURANCE	-	-	-	170,999	170,999
PURCHASED TRANSPORTATION	1,730,294	-	-	-	1,730,294
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	4	-	3,805	3,809
Travel and meetings	-	14	-	33,950	33,964
Advertising	-	-	-	66,055	66,055

Delaware Transit Corporation

Schedule of Expenses by Mode - Paratransit Purchased Transportation

For the Year Ended June 30, 2007

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	83,530	43,574	34,379	261,899	423,382
	<u>83,530</u>	<u>43,574</u>	<u>34,379</u>	<u>261,899</u>	<u>423,382</u>
FRINGE BENEFITS	81,500	43,912	37,538	283,639	446,589
SERVICES					
Professional and technical	-	-	955	90,762	91,717
Contract and maintenance	-	18,104	66,446	-	84,550
Security	-	-	220	12,853	13,073
Other	-	-	2,287	5,040	7,327
	<u>-</u>	<u>18,104</u>	<u>69,908</u>	<u>108,655</u>	<u>196,667</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	2,226	3,035	-	-	5,261
Tires and tubes	6,990	368	-	-	7,358
Other materials	3,163	18,217	7,753	9,875	39,008
	<u>12,379</u>	<u>21,620</u>	<u>7,753</u>	<u>9,875</u>	<u>51,627</u>
UTILITIES	-	-	41,878	-	41,878
INSURANCE	-	-	-	147,424	147,424
PURCHASED TRANSPORTATION	1,568,950	-	-	-	1,568,950
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	4	-	3,550	3,554
Travel and meetings	-	13	-	31,675	31,688
Advertising	-	-	-	584	584
Facilities	-	-	2,905	-	2,905
Other	-	-	-	4,828	4,828
	<u>-</u>	<u>17</u>	<u>2,905</u>	<u>40,637</u>	<u>43,559</u>
TOTAL EXPENSES	<u>\$ 1,746,359</u>	<u>\$ 127,227</u>	<u>\$ 194,361</u>	<u>\$ 852,129</u>	<u>\$ 2,920,076</u>

Delaware Transit Corporation
Schedule of Expenses by Mode - Rail
For the Year Ended June 30, 2007

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	-	-	11,422	40,812	52,234
	<u>-</u>	<u>-</u>	<u>11,422</u>	<u>40,812</u>	<u>52,234</u>
FRINGE BENEFITS	-	-	4,772	12,431	17,203
SERVICES					
Professional and technical	-	-	-	48,157	48,157
Contract and maintenance	-	-	2,500	-	2,500
Security	-	-	-	-	-
Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>48,157</u>	<u>50,657</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	-	-	-	-	-
Tires and tubes	-	-	-	-	-
Other materials	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UTILITIES	-	-	-	-	-
INSURANCE	-	-	-	-	-
PURCHASED TRANSPORTATION	7,123,517	-	-	-	7,123,517
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	-	-	-	-
Travel and meetings	-	-	-	-	-
Advertising	-	-	-	-	-
Facilities	-	-	-	-	-
Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 7,123,517</u>	<u>\$ -</u>	<u>\$ 18,694</u>	<u>\$ 101,400</u>	<u>\$ 7,243,611</u>